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# STATISTICAL BULLETIN

Volume 17, No. 12, December, 1984

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The Conference Board

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STATISTICAL REFERENCE INDEX
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## COMMENT

There are a number of spending-freeze and tax-reform proposals on the table. With a little luck and a lot of patience, some reduction of Federal Government budget deficits can be wrung out of all those suggestions. Outsized budget deficits stimulated one of the strongest recoveries on record: Output, jobs and incomes rose very sharply in 1983 and the first half of 1984, without any quickening in the pace of inflation. But high interest rates prevailed and the dollar soared to new heights. An overstimulated domestic economy gave importers an opportunity to sell their wares at bargain prices, thanks to a high dollar. Sales of imported goods limit sales of domestically produced goods. Growth of domestic output, jobs and incomes, then, has slowed sharply in the second half of 1984. The *Economic Forecasts* are indicating that sluggish growth will continue in 1985, and possibly right through 1986 as well.

Conventional wisdom holds that a weak currency is bad for business and a strong currency is good. The United States is now finding that a superstrong dollar is one big headache. A strong dollar lends a deep discount to imports, making them almost too alluringly priced for consumers to resist. The dollar's climb has been steep and steady for the last four years. By November, its trade-weighted *Exchange Rate* against other major currencies was 126.8 (1980-1982 = 100), 27% above its base period value.

Consumers spent freely in the first year and one-half of recovery, and were not hesitant to borrow when income ran short. They were busy attending to current needs and needs that were put on hold during the back-to-back recessions. By mid-1984, most of that pent-up demand had apparently been released and consumer spending slowed—as it always does a few quarters into a recovery. Further, the rise in interest rates in the first half of 1984 was adversely affecting car and home sales by the Summer months. Moreover, a lot of the goods that consumers were buying were produced abroad. Consumer spending is rising more slowly now and industrial production has essentially been flat since the early Summer months.

The rather sudden, and sharp, fall in the growth of sales came as something of a surprise to producers and inventory has begun to pile up. As indicated on the chart on page seven, the Inventory/Sales ratios have begun to inch higher. This suggests that producers may wait until a clearly rising demand is evident before stepping up production.

Domestic producers are not only having a hard time competing against foreign producers, they are also trying to deal with a sudden disappearance of productivity gains. The *Key Determinants of Profit Margins* chart shows that the rise in output per hour in the nonfinancial corporate sector has been gradually slowing since the first half of 1983. It is not unusual to experience a slower rise in productivity as a recovery matures into an expansion. It is unusual, however, to see that transformation set in as early as it did and to undergo an outright decline in productivity in the third quarter of 1984, followed most likely, by another decrease in the fourth quarter.

The significant drop in labor productivity has sharply boosted unit labor costs. But producers cannot step up price increases since they are already losing market share to foreign competition. Profit margins in the nonfinancial corporate sector, then, fell in the third quarter of 1984, and probably suffered another setback in the fourth quarter. Absent a rebound in sales increases and/or productivity gains, profit margins are unlikely to recover lost ground in 1985. That spells trouble for business investment.

A year ago, the rate of manufacturing capacity utilization had just passed 80% and seemed to be rising quickly. It looked as if business urgently needed to acquire a good deal more plant and equipment. Although a wall of high borrowing costs seemed to block that path, rising profit margins and liberalized depreciation allowances provided enough internal funding to kick off an investment boom that promised not only to expand capacity but to sustain a rising productivity trend.

The slower pace of sales for domestically produced goods makes the need to expand capacity quickly less urgent. Indeed, as indicated on the chart on page seven, operating rates have been flat since the late Spring. On the other hand, the economy has already benefited from the usual purely cyclical pickup in productivity, and needs new facilities if improving productivity is to be resumed. Profit margins, however, are no longer rising and it would require a new escalation of investment to accelerate the buildup of depreciation allowances. Business investment, therefore, now requires more external funding. Given a higher cost of investment, some rate-of-return on investment calculations are putting a few projects back on the drawing board.

The Conference Board's *Capital Appropriations and Expenditures* survey shows that the rise in business invest-

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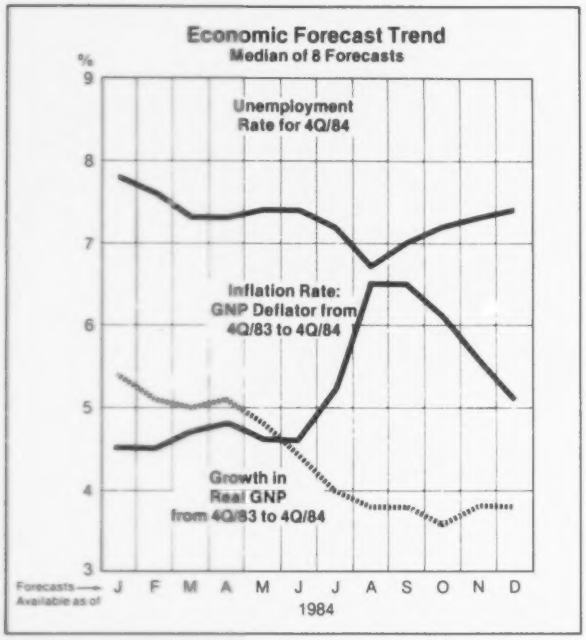


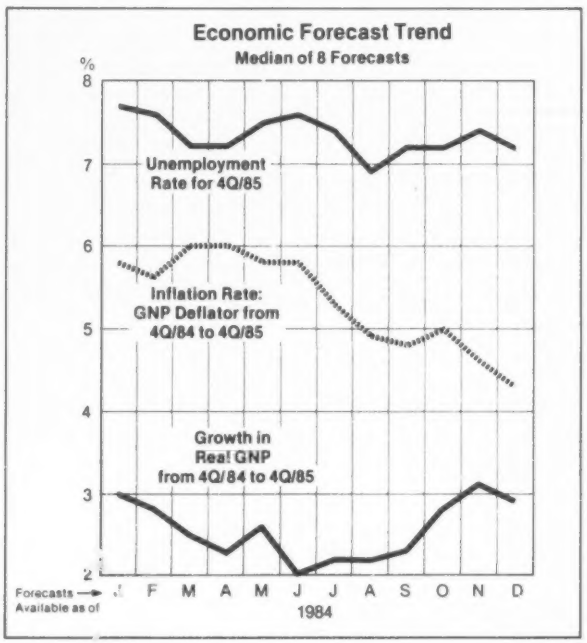

ment continued into the third quarter of 1984, but is beginning to lose steam. Capital spending rose in the third quarter, but not as sharply as it had earlier this year. And capital appropriations—approval of new projects—fell in the third quarter. Further, the survey respondents said that they expect their spending on new plant and equipment to rise by 12% in 1985, compared with a gain of about 20% this year. Even that lowered expectation will be hard to achieve if interest-rate reductions do not continue.

These economic conditions do not describe an overheated economy about to be cooled in a deep freeze of recession. Nor do they support any conclusion that underlying momentum will soon propel activity out onto the fast track of rapid expansion. They do describe an economy that was greatly stimulated by a highly expansionary fiscal policy—a policy which remains in place long after the pace of activity has achieved its recovery. The consequences of excess stimulation include persistently high interest rates, a dollar that went through the roof, and ballooning trade deficits. The cumulative impact of that unholy trio now blocks the stimulus delivered by outsized budget deficits. The economy has no momentum; the business cycle has been interrupted. Real output rose by only 2% in the third quarter of 1984, and the median of the *Economic Forecasts* shows that growth slowed to about only 1½% in the fourth quarter (seasonally adjusted annual rates).

Given a highly expansive fiscal policy, the Federal Reserve has had little choice but to pursue a rather restrictive monetary policy. However, rates of return on certificates of deposit have declined in recent weeks. That suggests that savers are a little less worried now about any new bout of surging inflation. A drop in inflation expectations gives some breathing room to money-supply growth and allows borrowing rates to fall. As indicated on the *Money Supply and Monetary Targets* chart, money growth was allowed to rise in November and interest rates declined. Lower rates may pave the way for some decline in the value of the dollar. A lower dollar and lower interest rates enhance prospects for a little more growth in activity. The median of the Economic Forecasts is for about a 3% rise in real GNP for 1985 and 1986.

The slower pace of expansion has brought the recovery in labor-market conditions to an end. The unemployment rate improved to 7½% by the Spring of 1984, but then remained at that level through the rest of the year. The Conference Board's *Help-wanted Index* had recovered to 138 (1967 = 100) by July but was still holding to a level of 136 in October, and early returns point to no appreciable change in November. This measure of labor demand indicates that the pace of new hiring is only matching the increase in the labor force. Given reduced prospects for economic growth, the Economic Forecasts indicate that, at best, the unemployment rate will not drop under 7% in 1985 or 1986. If economic growth falters, that rate could begin to inch closer to 8%, but not go beyond that, during the forecast horizon (fourth quarter of 1986).

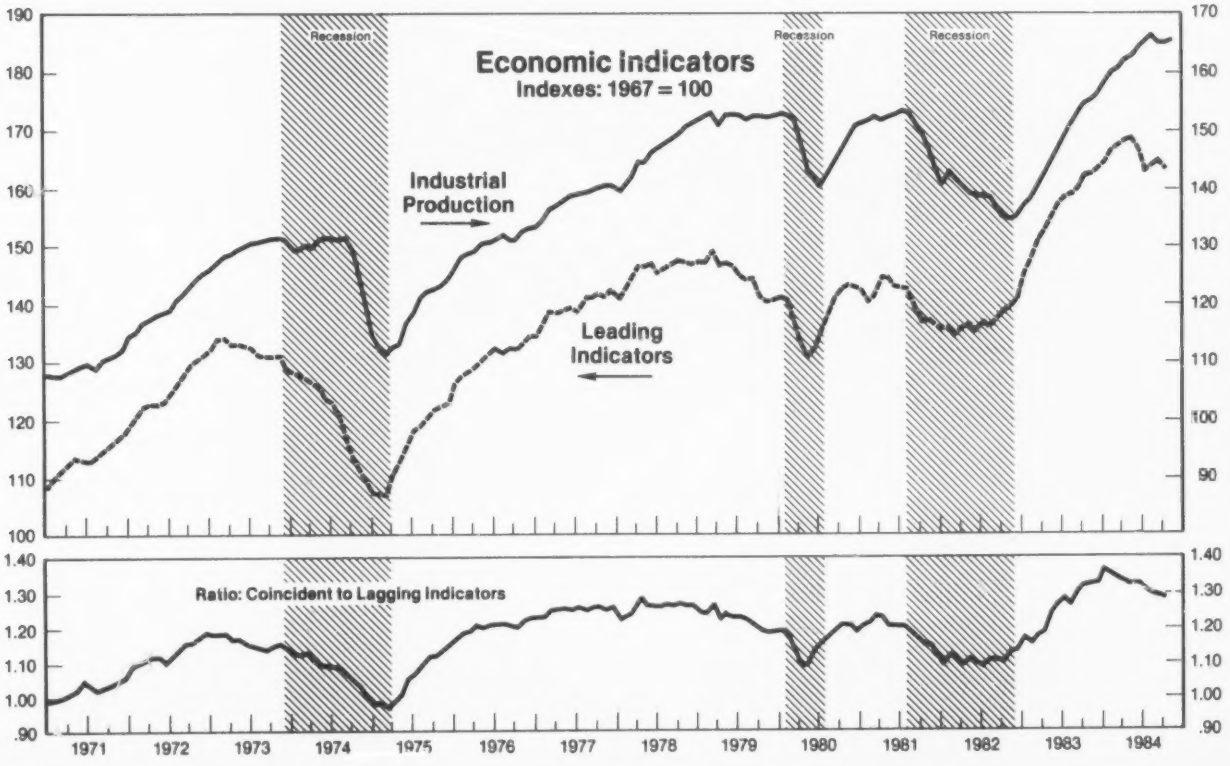
Ken Goldstein
December 12, 1984



## STATUS OF LEADING ECONOMIC INDICATORS

| | | Rising | Level | Declining | Change over latest three months | Change From Year-Ago |
|---|---|---|---|---|---|---|
| | | (Classification based on movement of series over several months) | | | | |
| **Leading Economic Indicators** | Oct. | | X | | − 0.1% | + 0.9% |
| **Capital Investment Commitments** | | | | | | |
| *Contracts and orders, plant & equipment (deflated) | Oct. | | | X | − 5.1% | − 0.5% |
| New orders, nondefense capital goods (deflated) | Oct. | | | X | − 5.8% | − 3.5% |
| *New business formation | Oct. | X | | | + 3.8% | + 1.6% |
| *Housing permits | Oct. | | | X | − 9.4% | − 14.1% |
| **Inventory Investment and Purchasing** | | | | | | |
| *New orders, consumer goods & materials (deflated) | Oct. | | | X | − 4.1% | − 1.0% |
| *Change in inventory, on hand & order (deflated) | Sept. | | | X | −10.2% | + 3.4% |
| Purchasing agents' buying policy | Nov. | | X | | + 4 % | + 2 % |
| *Vendor performance, reported slower deliveries | Nov. | | | X | − 4 % | − 9 % |
| Industrial raw materials prices | Nov. | | X | | − 2.6% | − 4.1% |
| *Change in sensitive material prices | Oct. | | | X | − 7.5% | − 9.0% |
| **Sensitive Financial Flows** | | | | | | |
| *Money balance (M2 deflated) | Oct. | X | | | + 0.4% | + 2.7% |
| Change in business loans | Oct. | X | | | +34.8% | + 68.3% |
| *Change in credit outstanding | Oct. | | X | | − 4.0% | + 1.6% |
| Change in consumer installment debt | Sept. | | | X | −42.5% | + 20.8% |
| **Profitability** | | | | | | |
| Total corporate profits, after tax (deflated) | 3rd Q | | | X | − 8.3% | − 5.0% |
| *Common stock prices | Nov. | | X | | + 1.1% | + 0.6% |
| **Marginal Employment Adjustments** | | | | | | |
| *Average workweek, mfg. | Nov. | | X | | 0.0hr | − 0.1hr |
| *Initial unemployment claims (inverted) | Nov. | | | X | −41.1% | −32.5% |

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators,* (Washington. D.C.: Government Printing Office) June, 1977.
*These twelve series make up the Composite Leading Index charted below.



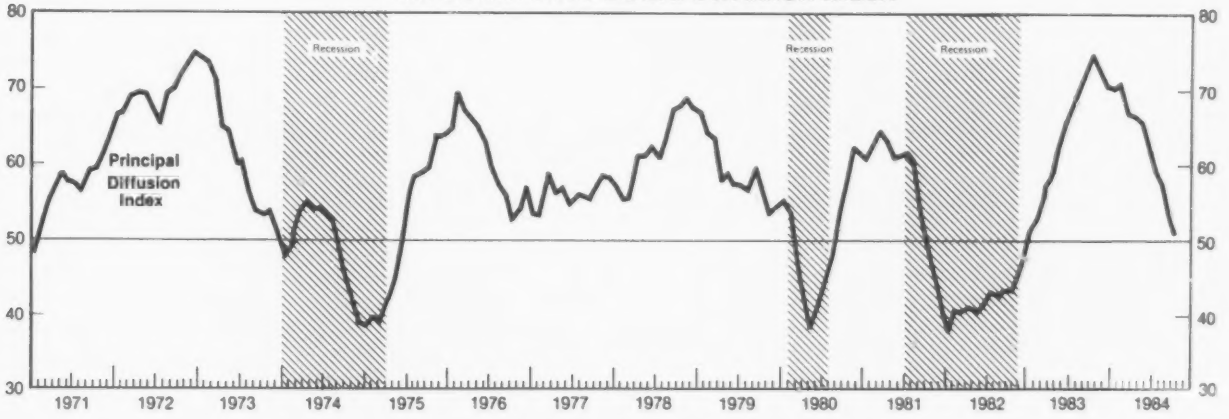
## CONFERENCE BOARD DIFFUSION INDEXES

| DIFFUSION INDEXES | 1983 Oct. | 1984 July | Aug. | Sept. | Oct.(e) |
|---|---|---|---|---|---|
| Principal Diffusion Index | 72.8 | 58.9r | 57.6r | 52.7r | 50.7 |
| Auxillary Diffusion Index | 54.9 | 38.4r | 45.8r | 34.1r | 43.4 |
| Industrial Group | 79.5 | 60.2r | 61.0r | 55.5r | 53.9 |
| Nonindustrial Group | 66.2 | 57.6r | 54.2r | 49.9r | 47.4 |
| Sense of Diffusion | 1.0 | 1.0 | 1.0 | 1.0 | 0 |
| **SUBGROUP DIFFUSION INDEXES** | | | | | |
| **Industrial Subgroups** | | | | | |
| Production | 87.6 | 54.3 | 60.7r | 51.7r | 59.4 |
| Labor | 75.6 | 59.1r | 58.3r | 57.4r | 53.7 |
| Miscellaneous | 76.9 | 71.8 | 67.9 | 56.4 | 46.2 |
| **Nonindustrial Subgroups** | | | | | |
| Prices | 70.5 | 46.8 | 46.2 | 45.5 | 37.8 |
| Consumer | 74.8 | 69.7 | 63.7 | 58.1r | 63.2 |
| Building | 58.3 | 59.6 | 57.7 | 56.4 | 47.4 |
| Miscellaneous | 59.8 | 51.3r | 47.9r | 40.2r | 38.0 |

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

### The Conference Board Diffusion Index




## BUSINESS EXECUTIVES' EXPECTATIONS

| | 1982 May | Aug. | Nov. | 1983 Feb. | May | Aug. | Nov. | 1984 Feb. | May | Aug. | Nov. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Score (scale 0-100) | | | | | | | | | | |
| Measure of Business Confidence | 52 | 55 | 60 | 70 | 76 | 75 | 74 | 70 | 65 | 61 | 57 |
| 1. Appraisal of Current Economic Conditions Compared With Six Months Ago | 30 | 38 | 44 | 65 | 76 | 82 | 80 | 76 | 75 | 70 | 57 |
| 2. Expectations for Economy, Six Months Ahead | 64 | 65 | 70 | 76 | 78 | 74 | 73 | 67 | 60 | 57 | 57 |
| Expectations for Own Industry, Six Months Ahead | 61 | 61 | 65 | 70 | 72 | 69 | 70 | 67 | 61 | 57 | 58 |

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

## CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

**Billions of Dollars, Seasonally Adjusted**

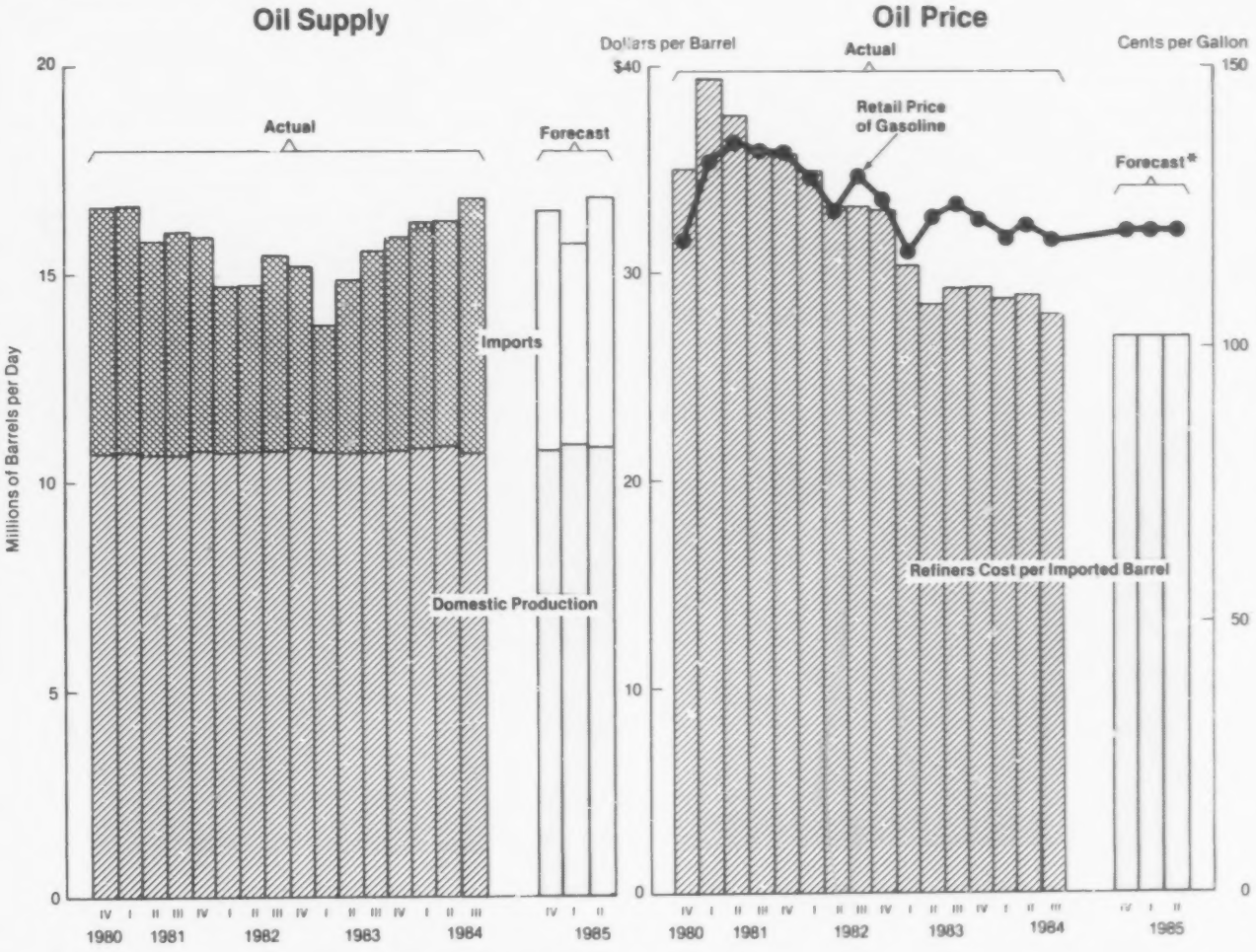
| | 1983 | | | | 1984 | | | Percent Change From Previous Year | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Ir | IIr | IIIr | IVr | Ir | IIr | IIIp | 1983 Actual | 1984 Estimated | 1985 Expected** |
| **1000 LARGEST MANUFACTURING FIRMS** | | | | | | | | | | |
| New appropriations | 20.072 | 20.874 | 22.875 | 24.262 | 26.816 | 37.154 | 28.720 | 1 | 38 | -13 |
| Capital expenditures | 19.108 | 18.664 | 18.244 | 19.560 | 19.905 | 21.808 | 23.751 | -23 | 20 | 12 |
| Change in appropriations backlog* | -1.160 | +0.982 | +1.988 | +0.928 | +5.152 | +13.867 | +3.797 | | | |
| **Durable Goods** | | | | | | | | | | |
| New appropriations | 8.130 | 9.293 | 9.119 | 11.024 | 13.662 | 21.216 | 13.307 | -17 | 64 | -38 |
| Capital expenditures | 7.942 | 7.717 | 7.667 | 8.727 | 8.714 | 10.033 | 11.342 | -19 | 32 | - 4 |
| Change in appropriations backlog* | -0.676 | +0.887 | +1.466 | +0.819 | +4.057 | +10.843 | +1.726 | | | |
| **Nondurable Goods** | | | | | | | | | | |
| New appropriations | 11.942 | 11.581 | 13.666 | 13.238 | 13.154 | 45.035 | 15.413 | - 9 | 18 | 14 |
| Capital expenditures | 11.166 | 10.947 | 10.577 | 10.833 | 11.191 | 11.775 | 12.409 | -26 | 12 | 25 |
| Change in appropriations backlog* | -0.484 | +0.095 | +0.522 | +0.109 | +1.095 | +3.024 | +2.071 | | | |
| **ELECTRIC & GAS UTILITIES** | | | | | | | | | | |
| New appropriations | 7.614 | 6.663 | 5.831 | 6.968 | 5.388 | 8.440p | | | | |
| Capital expenditures | 8.996 | 9.236 | 9.024 | 8.292 | 8.947 | 9.342p | | | | |
| Change in appropriations backlog* | -4.916 | -6.849 | -3.913 | -4.056 | -5.927 | -2.655p | | | | |

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quartely reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

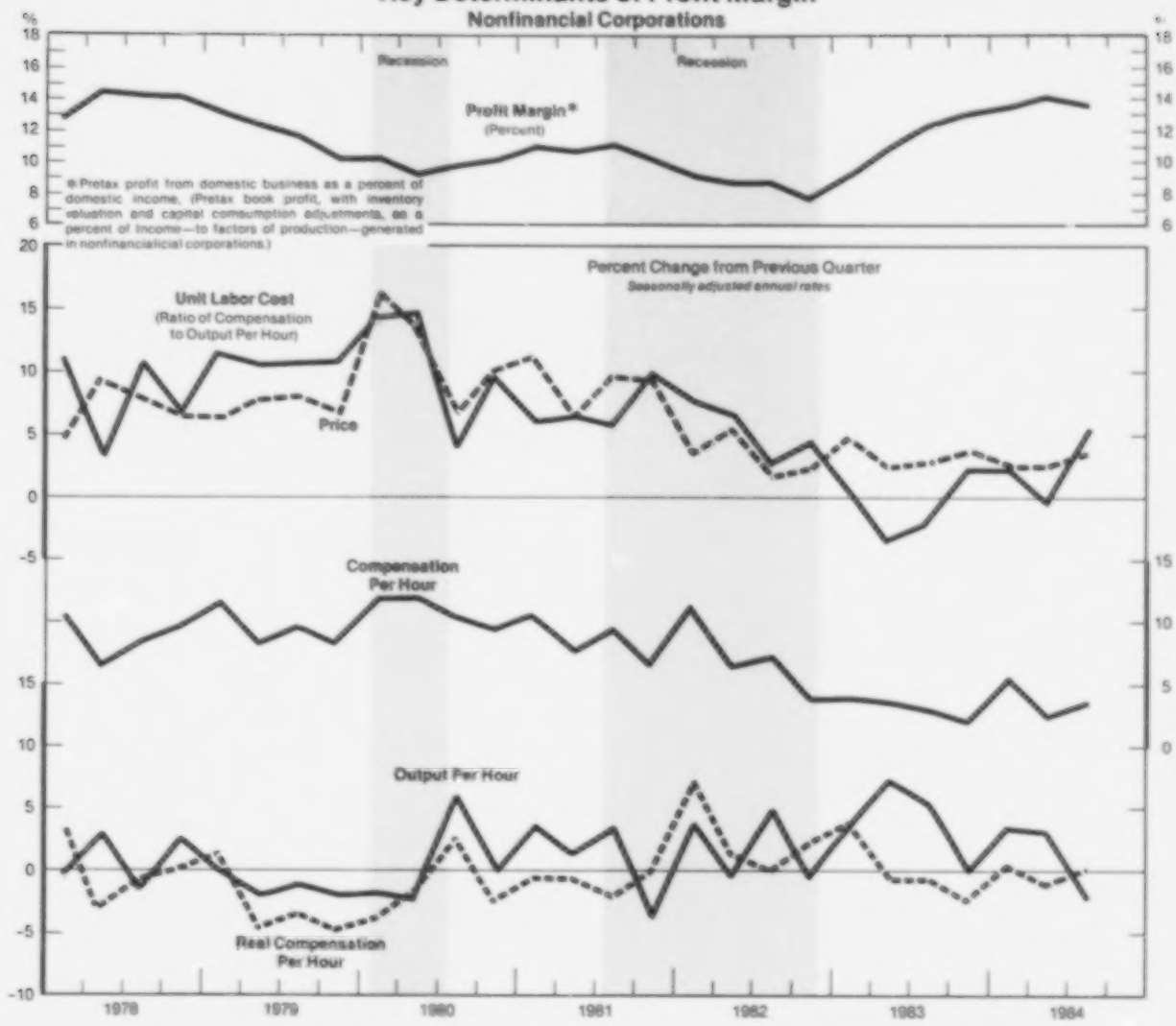
* Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments).

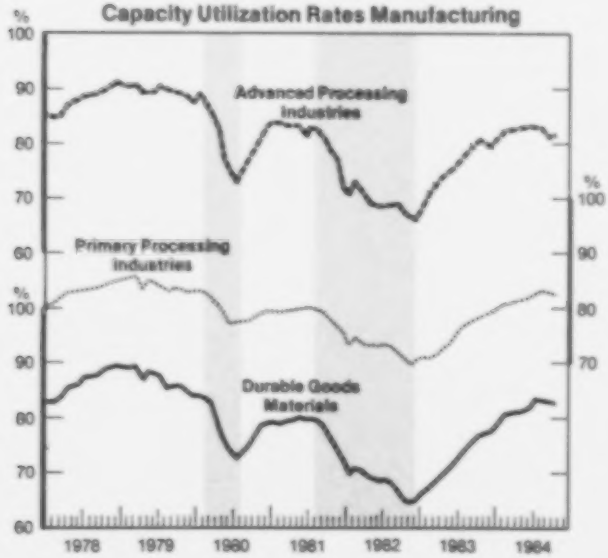
** Results based on survey respondents' expectations.




*Source: of Forecast : The Energy Information Administration, Department of Energy.

## Key Determinants of Profit Margin



# ECONOMIC FORECASTS

| | | | U.C.L.A. Business Forecasting Project[1] | | Merrill Lynch Economics Inc.[1] | | E.I. duPont de Nemours & Co.[1] | | Georgia State University[2] | |
|---|---|---|---|---|---|---|---|---|---|---|
| *Date of Forecast* | | | *Nov., 1984* | | *Nov., 1984* | | *Nov., 1984* | | *Nov., 1984* | |
| | | | *Level* | *Percent Change* | *Level* | *Percent Change* | *Level* | *Percent Change* | *Level* | *Percent Change* |
| **Gross National Product Billions of Current Dollars** | | | | | | | | | | |
| **Actual** | **1984** | **III** | **$3695.2** | **5.7%** | | | **$3695.2** | **5.7%** | **$3695.2** | **5.7%** |
| | | IV | 3724.4 | 3.2 | $3759.0 | 6.4% | 3733.5 | 4.2 | 3755.6 | 6.7 |
| | 1985 | I | 3804.5 | 8.9 | 3850.3 | 10.1 | 3783.3 | 5.4 | 3823.3 | 7.4 |
| | | II | 3890.0 | 9.3 | 3926.5 | 8.2 | 3851.9 | 7.5 | 3893.0 | 7.5 |
| | | III | 3966.0 | 8.0 | 3972.1 | 4.7 | 3951.0 | 10.7 | 3963.7 | 7.5 |
| | | IV | 4043.1 | 8.0 | 4048.7 | 7.9 | 4049.8 | 10.4 | 4039.6 | 7.9 |
| | 1986 | I | 4130.7 | 9.0 | | | 4138.0 | 9.0 | 4113.9 | 7.6 |
| | | II | 4231.1 | 10.1 | | | 4207.2 | 6.9 | 4200.5 | 8.7 |
| | | III | 4335.5 | 10.2 | | | 4275.9 | 6.7 | 4283.9 | 8.2 |
| | | IV | 4445.6 | 10.6 | | | 4323.8 | 4.8 | 4385.4 | 9.8 |
| | 1984 | Annual | 3654.4 | 10.8 | 3664.6 | 10.9 | 3656.7 | 10.6 | 3662.2 | 10.8 |
| | 1985 | Annual | 3925.9 | 7.4 | 3949.4 | 7.8 | 3909.0 | 6.9 | 3929.9 | 7.3 |
| | 1986 | Annual | 4285.7 | 9.2 | | | 4236.2 | 8.4 | 4245.9 | 8.0 |
| **Gross National Product Billions of Constant (1972) Dollars** | | | | | | | | | | |
| **Actual** | **1984** | **III** | **$1646.5** | **1.9%** | | | **$1646.5** | **1.9%** | **$1646.5** | **1.9%** |
| | | IV | 1644.1 | -.6 | 1658.2 | 2.1 | 1652.0 | 1.3 | 1655.9 | 2.3 |
| | 1985 | I | 1662.4 | 4.5 | 1679.8 | 5.3 | 1663.0 | 2.7 | 1667.4 | 2.8 |
| | | II | 1685.2 | 5.8 | 1691.8 | 2.9 | 1681.0 | 4.4 | 1680.2 | 3.1 |
| | | III | 1702.7 | 4.2 | 1691.9 | .0 | 1703.0 | 5.3 | 1691.0 | 2.8 |
| | | IV | 1716.4 | 3.3 | 1706.7 | 3.5 | 1727.0 | 5.8 | 1702.3 | 2.7 |
| | 1986 | I | 1732.9 | 3.9 | | | 1746.0 | 4.5 | 1707.0 | 1.1 |
| | | II | 1752.9 | 4.7 | | | 1753.0 | 1.6 | 1720.1 | 3.1 |
| | | III | 1773.4 | 4.8 | | | 1756.0 | .7 | 1729.5 | 2.2 |
| | | IV | 1792.2 | 4.3 | | | 1747.0 | -2.0 | 1744.4 | 3.5 |
| | 1984 | Annual | 1635.1 | 6.5 | 1639.4 | 6.9 | 1637.1 | 6.7 | 1638.0 | 6.7 |
| | 1985 | Annual | 1691.7 | 3.5 | 1692.6 | 3.2 | 1693.5 | 3.4 | 1685.2 | 2.9 |
| | 1986 | Annual | 1762.8 | 4.2 | | | 1750.5 | 3.4 | 1725.3 | 2.4 |
| **Gross National Product deflator Index, 1972 = 100** | | | | | | | | | | |
| **Actual** | **1984** | **III** | **224.4** | **3.7%** | | | **224.4** | **3.7%** | **224.4** | **3.7%** |
| | | IV | 226.5 | 3.8 | 226.7 | 4.2% | 226.0 | 2.8 | 226.8 | 4.3 |
| | 1985 | I | 228.9 | 4.2 | 229.2 | 4.5 | 227.5 | 2.7 | 229.3 | 4.5 |
| | | II | 230.8 | 3.5 | 232.1 | 5.1 | 229.1 | 2.9 | 231.7 | 4.3 |
| | | III | 232.9 | 3.7 | 234.9 | 4.7 | 232.0 | 5.1 | 234.4 | 4.7 |
| | | IV | 235.8 | 4.6 | 237.2 | 4.2 | 234.5 | 4.4 | 237.3 | 5.0 |
| | 1986 | I | 238.4 | 4.9 | | | 237.0 | 4.3 | 241.0 | 6.4 |
| | | II | 241.4 | 5.1 | | | 240.0 | 5.2 | 244.2 | 5.4 |
| | | III | 244.5 | 5.2 | | | 243.5 | 6.0 | 247.7 | 5.8 |
| | | IV | 248.1 | 6.0 | | | 247.5 | 6.7 | 251.4 | 6.1 |
| | 1984 | Annual | 223.5 | 3.8 | 223.5 | 3.8 | 223.4 | 3.7 | 223.6 | 3.8 |
| | 1985 | Annual | 232.0 | 3.8 | 233.3 | 4.4 | 230.8 | 3.3 | 233.2 | 4.3 |
| | 1986 | Annual | 243.1 | 4.8 | | | 242.0 | 4.9 | 246.1 | 5.5 |
| **Unemployment Rate** | | | | | | | | | | |
| **Actual** | **1984** | **III** | | **7.5%** | | **7.5%** | | **7.5%** | | **7.5%** |
| | | IV | | 7.6 | | 7.3 | | 7.4 | | 7.4 |
| | 1985 | I | | 7.5 | | 7.1 | | 7.3 | | 7.4 |
| | | II | | 7.4 | | 7.1 | | 7.2 | | 7.2 |
| | | III | | 7.3 | | 7.3 | | 7.1 | | 7.2 |
| | | IV | | 7.2 | | 7.2 | | 6.7 | | 7.2 |
| | 1986 | I | | 7.2 | | | | 6.5 | | 7.1 |
| | | II | | 7.1 | | | | 6.6 | | 7.1 |
| | | III | | 6.9 | | | | 6.6 | | 7.2 |
| | | IV | | 6.8 | | | | 7.0 | | 7.3 |
| | 1984 | Annual | | 7.6 | | 7.5 | | 7.6 | | 7.6 |
| | 1985 | Annual | | 7.4 | | 7.2 | | 7.1 | | 7.3 |
| | 1986 | Annual | | 7.0 | | | | 6.7 | | 7.2 |

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1]Based on preliminary third quarter data.

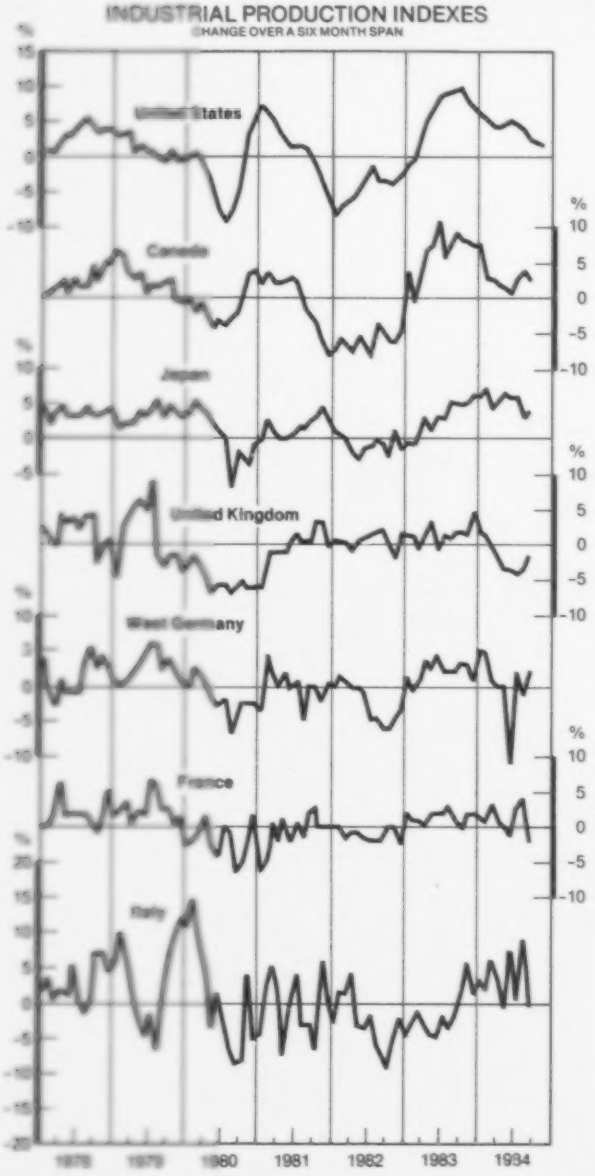
[2]Based on revised third quarter data.

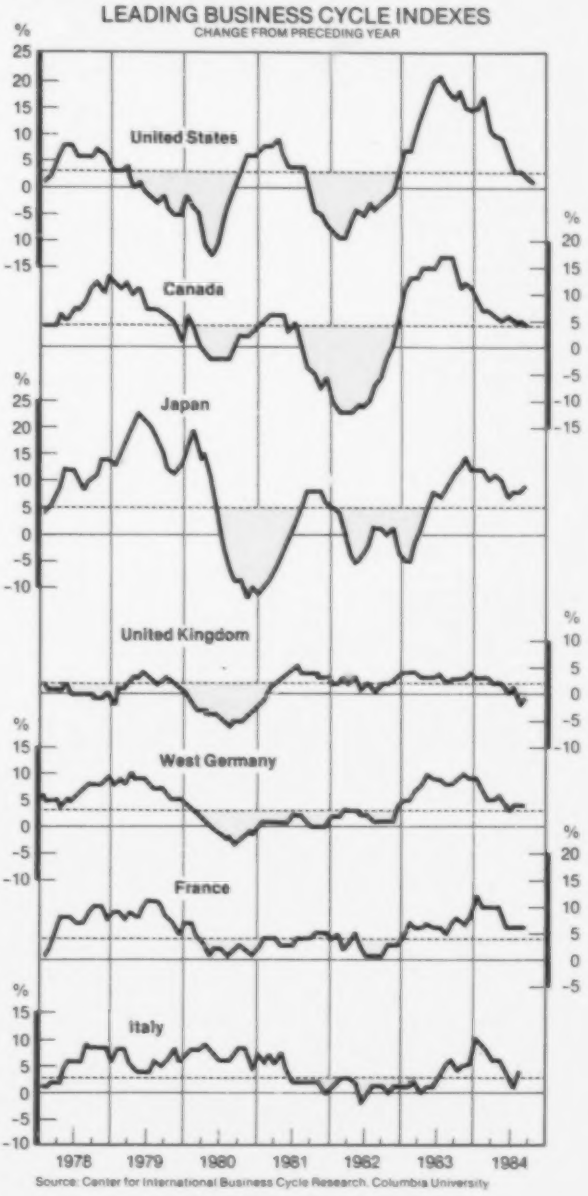
# ECONOMIC FORECASTS (continued)

| The Conference Board[2] | | Chase Econometric Associates, Inc.[3] | | Data Resources Inc.[4] | | Wharton E.F.A. Inc.[5] | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Nov., 1994 | | Nov., 1994 | | Nov., 1994 | | Nov., 1994 | | Date of Forecast | | |
| Level | Percent Change | Level | Percent Change | Level | Percent Change | Level | Percent Change | | | |
| | | | | | | | | Gross National Product Billions of Current Dollars | | |
| $3695.2 | 5.7% | $3695.2 | 5.7% | $3695.2 | 5.7% | $3695.2 | 5.7% | III | 1994 | Actual |
| 3730.0 | 3.8 | 3747.3 | 5.8 | 3743.3 | 5.3 | 3735.8 | 4.8 | IV | | |
| 3794.0 | 5.9 | 3805.1 | 6.3 | 1794.2 | 5.9 | 3815.7 | 8.7 | I | 1995 | |
| 3867.0 | 8.1 | 3885.2 | 8.7 | 3834.7 | 4.3 | 3897.4 | 8.8 | II | | |
| 3944.0 | 8.2 | 3963.3 | 8.3 | 1895.4 | 6.5 | 3966.5 | 7.3 | III | | |
| 4011.0 | 7.0 | 4021.5 | 6.0 | 3966.9 | 7.5 | 4036.8 | 7.3 | IV | | |
| | | 4080.3 | 6.0 | 4035.8 | 7.2 | 4107.5 | 7.2 | I | 1996 | |
| | | 4156.4 | 7.7 | 4113.0 | 7.8 | 4179.9 | 7.2 | II | | |
| | | 4235.8 | 7.9 | 4194.6 | 8.2 | 4255.2 | 7.4 | III | | |
| | | 4322.3 | 8.4 | 4295.6 | 9.9 | 4338.6 | 8.1 | IV | | |
| 3350.8 | 10.8 | 3880.1 | 10.8 | 3859.1 | 10.7 | 3857.5 | 10.7 | Annual | 1994 | |
| 3901.5 | 6.7 | 3916.8 | 7.1 | 3872.8 | 5.8 | 3929.1 | 7.4 | Annual | 1995 | |
| | | 4196.7 | 7.1 | 4157.5 | 7.4 | 4220.3 | 7.4 | Annual | 1996 | |
| | | | | | | | | Gross National Product Billions of Constant (1972) Dollars | | |
| $1646.5 | 1.9% | $1646.5 | 1.9% | $1646.5 | 1.9% | $1646.5 | 1.9% | III | 1994 | Actual |
| 1652.7 | 1.5 | 1649.6 | .8 | 1652.7 | 1.5 | 1652.1 | 1.4 | IV | | |
| 1662.2 | 2.3 | 1656.2 | 2.3 | 1658.3 | 1.4 | 1666.5 | 4.6 | I | 1995 | |
| 1678.6 | 4.0 | 1673.7 | 3.5 | 1662.4 | 1.0 | 1687.2 | 4.6 | II | | |
| 1688.2 | 2.3 | 1687.7 | 3.4 | 1674.8 | 3.0 | 1702.3 | 3.8 | III | | |
| 1694.0 | 1.4 | 1690.3 | .8 | 1688.3 | 3.3 | 1716.6 | 3.5 | IV | | |
| | | 1693.2 | .7 | 1700.3 | 2.9 | 1728.2 | 2.7 | I | 1996 | |
| | | 1702.9 | 2.3 | 1714.3 | 3.3 | 1740.3 | 2.6 | II | | |
| | | 1715.9 | 3.1 | 1730.1 | 3.7 | 1752.6 | 2.9 | III | | |
| | | 1731.3 | 3.6 | 1747.1 | 4.0 | 1766.9 | 3.3 | IV | | |
| 1637.2 | 6.6 | 1636.5 | 6.6 | 1637.2 | 6.7 | 1637.1 | 6.7 | Annual | 1994 | |
| 1660.8 | 2.5 | 1677.7 | 2.5 | 1671.0 | 2.1 | 1693.7 | 3.5 | Annual | 1995 | |
| | | 1710.5 | 2.0 | 1723.0 | 3.1 | 1747.0 | 3.1 | Annual | 1996 | |
| | | | | | | | | Gross National Product deflator Index, 1972 = 100 | | |
| 224.4 | 3.7% | 224.4 | 3.7% | 224.4 | 3.7% | 224.4 | 3.7% | III | 1994 | Actual |
| 225.7 | 2.2 | 227.2 | 5.0 | 226.5 | 3.7 | 226.2 | 3.2 | IV | | |
| 227.7 | 3.5 | 229.3 | 3.8 | 229.8 | 4.1 | 229.7 | 4.5 | I | 1995 | |
| 230.4 | 4.9 | 232.1 | 5.0 | 230.7 | 3.3 | 231.0 | 4.1 | II | | |
| 233.6 | 5.8 | 234.8 | 4.7 | 232.6 | 3.4 | 233.0 | 3.5 | III | | |
| 236.8 | 5.5 | 237.9 | 5.4 | 235.0 | 4.1 | 235.1 | 3.7 | IV | | |
| | | 241.0 | 5.3 | 237.4 | 4.2 | 237.7 | 4.4 | I | 1996 | |
| | | 244.1 | 5.2 | 239.9 | 4.3 | 240.2 | 4.3 | II | | |
| | | 246.9 | 4.8 | 242.4 | 4.3 | 242.8 | 4.4 | III | | |
| | | 249.7 | 4.8 | 245.3 | 4.8 | 245.5 | 4.8 | IV | | |
| 223.3 | 3.8 | 223.6 | 3.9 | 223.5 | 3.8 | 223.4 | 3.8 | Annual | 1994 | |
| 232.1 | 4.1 | 233.6 | 4.4 | 231.8 | 3.7 | 232.0 | 3.8 | Annual | 1995 | |
| | | 245.4 | 5.1 | 241.3 | 4.1 | 241.6 | 4.1 | Annual | 1996 | |
| | | | | | | | | Unemployment Rate | | |
| | 7.5% | | 7.5% | | 7.5% | | 7.5% | III | 1994 | Actual |
| | 7.3 | | 7.3 | | 7.5 | | 7.5 | IV | | |
| | 7.5 | | 7.3 | | 7.6 | | 7.3 | I | 1995 | |
| | 7.4 | | 7.4 | | 7.7 | | 7.1 | II | | |
| | 7.5 | | 7.4 | | 7.8 | | 7.0 | III | | |
| | 7.6 | | 7.5 | | 7.8 | | 6.9 | IV | | |
| | | | 7.7 | | 7.9 | | 6.9 | I | 1996 | |
| | | | 7.7 | | 7.9 | | 7.0 | II | | |
| | | | 7.5 | | 7.8 | | 7.1 | III | | |
| | | | 7.3 | | 7.6 | | 7.1 | IV | | |
| | 7.6 | | 7.5 | | 7.6 | | 7.5 | Annual | 1994 | |
| | 7.6 | | 7.4 | | 7.7 | | 7.0 | Annual | 1995 | |
| | | | 7.6 | | 7.8 | | 7.0 | Annual | 1996 | |

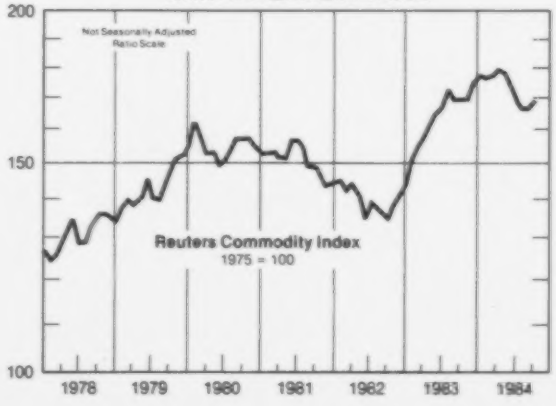
Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

## SELECTED INTERNATIONAL COMPARISONS



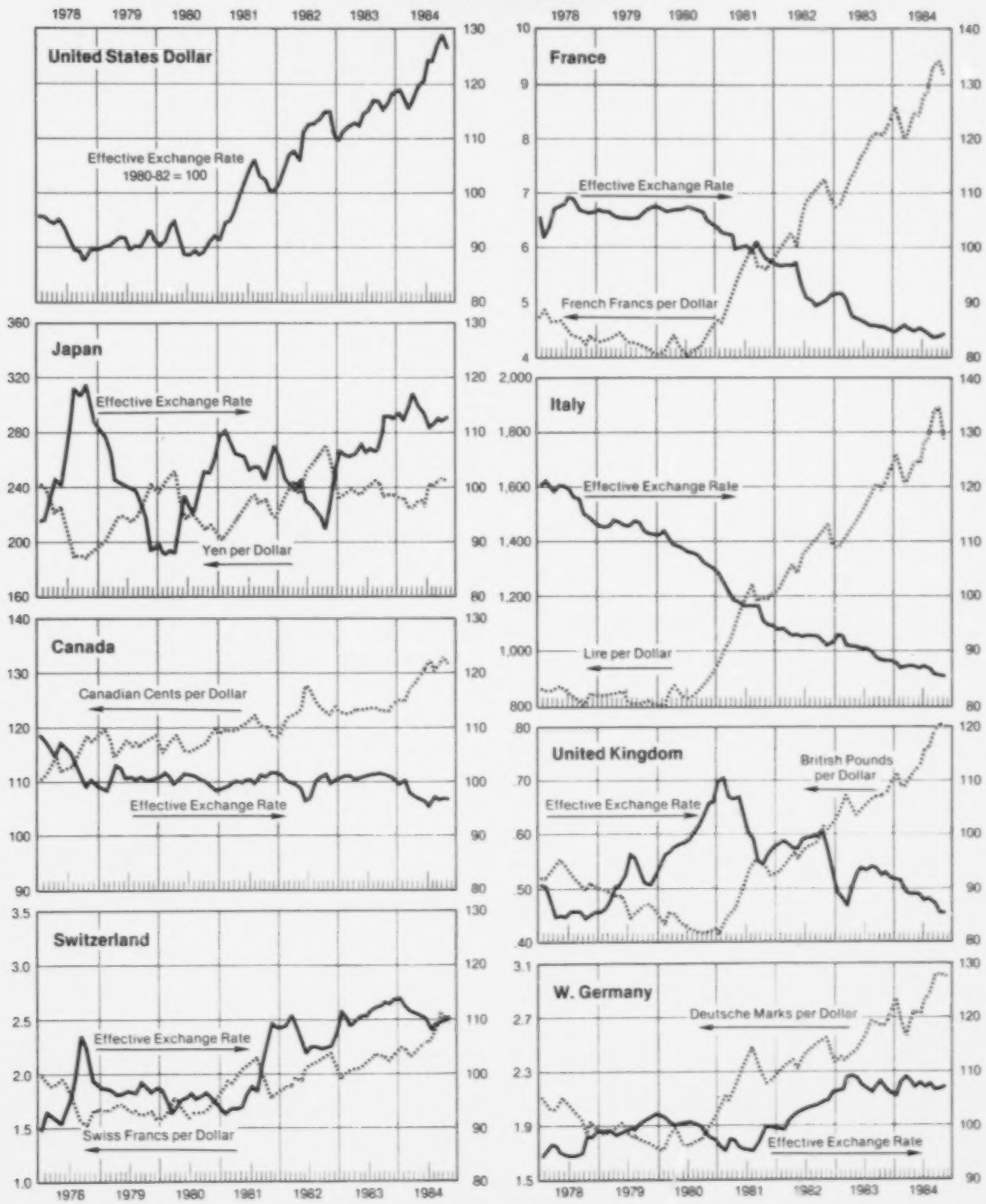




Source: Center for International Business Cycle Research, Columbia University



## Foreign Exchange Rates

Indexes: 1980-82 = 100



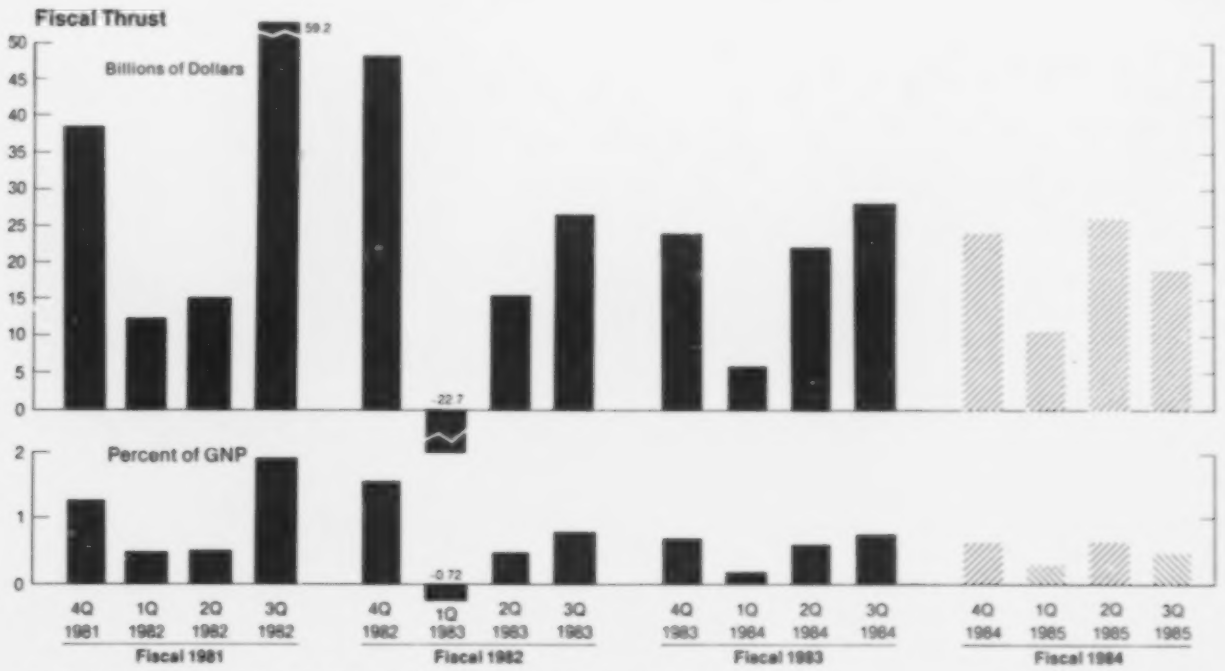

Note: Nominal Effective Exchange Rates; index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

## PERSPECTIVE ON THE FEDERAL BUDGET
## (Billions of Current Dollars)

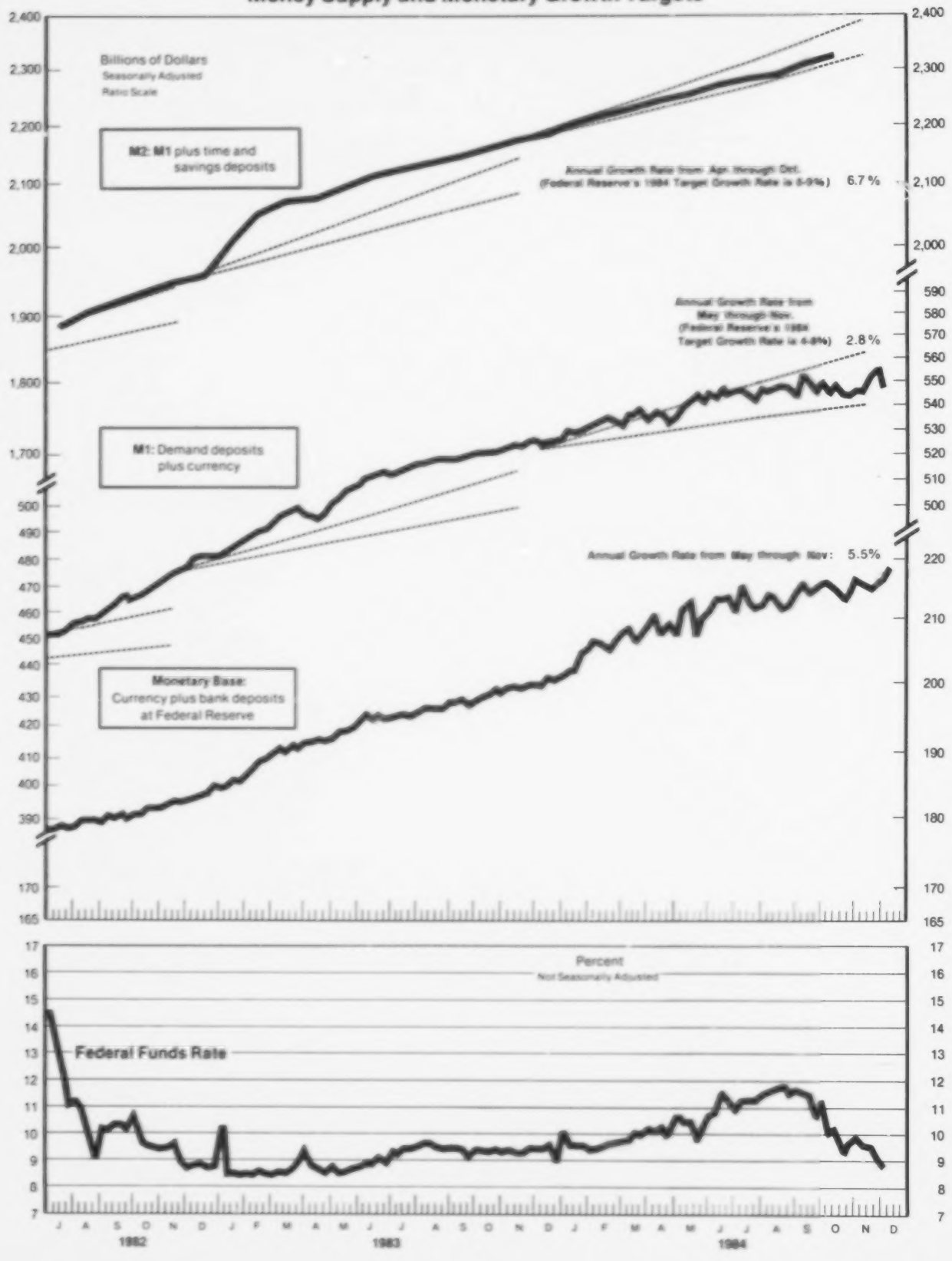
| | Fiscal 1983 | Fiscal 1984 | | Fiscal 1985 | | |
|---|---|---|---|---|---|---|
| | Actual (2/1/84) | President's Proposal (8/14/84) | Congressional Estimate (9/25/84) | Current Service (2/1/84) | President's Proposal (8/14/84) | Congressional Estimate (9/25/84) |
| **Receipts** | **600.6** | **670.7** | **672.9** | **737.3** | **783.8** | **750.9** |
| **Outlays** | **796.0** | **845.0** | **845.6** | **944.9** | **930.6** | **932.1** |
| **Deficit** | **-195.0** | **-174.3** | **-172.7** | **-207.7** | **-166.9** | **-181.2** |
| **Receipts by source** | **600.6** | **670.7** | **672.9** | **737.3** | **783.8** | **750.9** |
| Individual income taxes | 288.9 | 299.5 | | 323.4 | 341.8 | |
| Corporate income taxes | 37.0 | 59.0 | | 75.5 | 74.3 | |
| Social insurance | 209.0 | 241.2 | | 269.0 | 271.5 | |
| Other receipts | 65.7 | 71.1 | | 69.4 | 76.2 | |
| **Outlays by function** | **796.0** | **845.0** | **845.6** | **944.9** | **930.6** | **932.1** |
| National defense | 209.9 | 233.6 | 230.4 | 284.4 | 266.2 | 262.9 |
| Social security and medicare | 223.3 | 237.8 | 274.8 | 261.4 | 258.1 | 254.1 |
| Income security | 122.2 | 95.2 | | 116.9 | 110.3 | 111.7 |
| Health | 28.7 | 30.6 | 99.4 | 34.4 | 33.8 | 34.2 |
| Education and manpower | 26.6 | 28.2 | 28.0 | 29.0 | 29.4 | 29.9 |
| Transportation | 21.4 | 25.1 | 24.9 | 27.4 | 26.9 | 27.1 |
| Veterans' benefits | 24.8 | 25.9 | 25.9 | 26.6 | 26.7 | 26.4 |
| International affairs | 9.0 | 12.6 | 12.3 | 14.1 | 17.2 | 16.5 |
| Agriculture | 22.2 | 10.2 | 11.8 | 14.3 | 15.1 | 16.4 |
| National resources and environment | 12.7 | 12.2 | 12.3 | 11.8 | 11.6 | 12.0 |
| General science | 7.7 | 8.2 | 8.3 | 8.4 | 8.7 | 8.6 |
| Community development | 6.9 | 7.3 | 7.3 | 7.7 | 7.7 | 8.2 |
| Revenue sharing | 6.5 | 6.7 | 6.8 | | 6.5 | 6.5 |
| Justice | 5.1 | 5.9 | 5.9 | 6.2 | 6.2 | 6.1 |
| General government | 4.8 | 5.3 | 5.1 | 5.7 | 5.6 | 5.6 |
| Energy | 4.0 | 2.4 | 2.5 | 3.4 | 2.8 | 4.1 |
| Commerce and housing credit | 4.4 | 4.6 | 4.4 | 1.6 | 0.3 | 2.0 |
| Interest | 89.8 | 109.4 | 111.1 | 117.9 | 130.2 | 133.8 |
| Allowances | | | 0.6 | 1.5 | 1.0 | - 0.7 |
| Undistributed offsetting receipts | -34.0 | -16.2 | -16.0 | -34.6 | -33.8 | -33.2 |

Sources: Office of Management and Budget; Congressional Budget Office.




Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the "multiplier effect" within the private sector of the economy. For more complete descriptions, see Michael Levy, *The Federal Budget: Its Impact on the Economy* (FB-81-3; The Conference Board: New York, 1980).

## Money Supply and Monetary Growth Targets


Billions of Dollars
Seasonally Adjusted
Ratio Scale
M2: M1 plus time and savings deposits
Annual Growth Rate from Apr. through Oct. (Federal Reserve's 1984 Target Growth Rate is 6-9%) 6.7%
Annual Growth Rate from May through Nov. (Federal Reserve's 1984 Target Growth Rate is 4-8%) 2.8%
M1: Demand deposits plus currency
Annual Growth Rate from May through Nov: 5.5%
Monetary Base: Currency plus bank deposits at Federal Reserve
Percent
Not Seasonally Adjusted
Federal Funds Rate
J A S O N D J F M A M J J A S O N D J F M A M J J A S O N D
1982
1983
1984

## CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

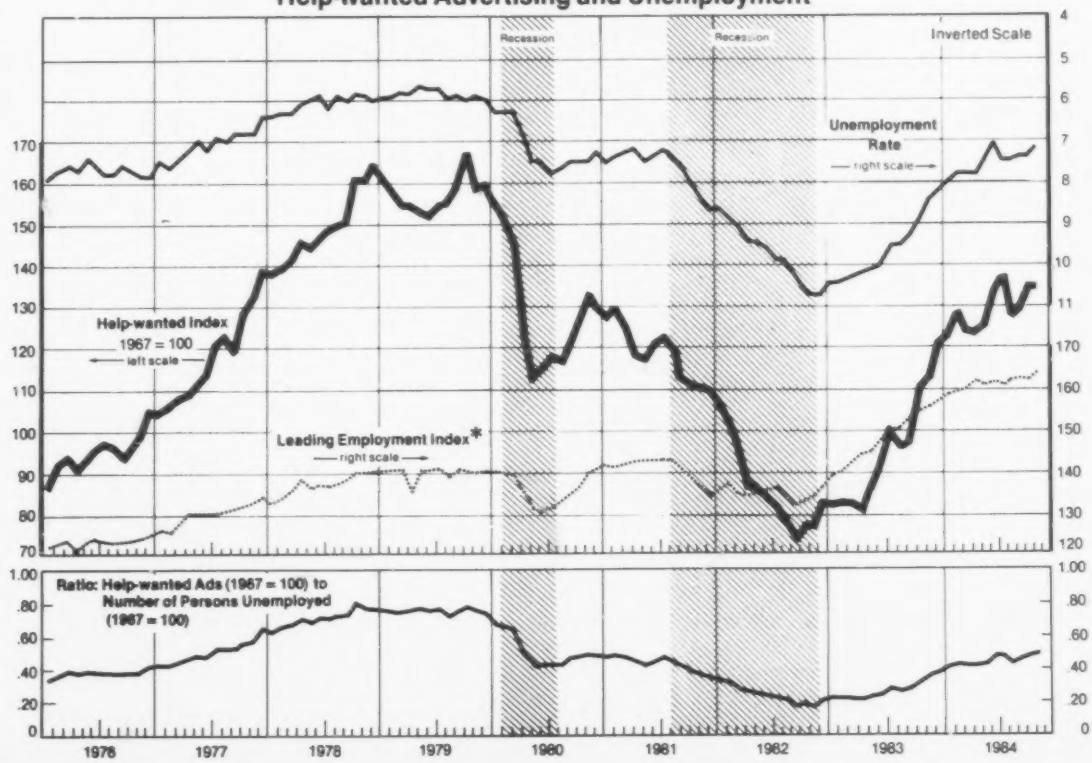
Seasonally Adjusted Indexes, 1967 = 100

| | 1984 | | | 1983 |
|---|---|---|---|---|
| | Oct. | Sept. | Aug. | Oct. |
| **Total Index 51 papers** | 136 | 129 | 128 | 111 |
| **New England** | 153 | 144 | 146 | 120 |
| Boston | 164 | 153 | 155 | 136 |
| Hartford | 155 | 161 | 157 | 112 |
| Providence | 113 | 96 | 106 | 74 |
| **Middle Atlantic** | 63 | 62 | 60 | 53 |
| Albany | 119 | 128 | 95 | 94 |
| Allentown | 186 | 150 | 150 | 126 |
| New York | 53 | 54 | 52 | 48 |
| Philadelphia | 58 | 55 | 53 | 49 |
| Pittsburgh | 56 | 55 | 55 | 47 |
| Rochester | 74 | 70 | 73 | 54 |
| Syracuse | 101 | 100 | 106 | 75 |
| **East North Central** | 82 | 78 | 79 | 63 |
| Chicago | 100 | 96 | 102 | 80 |
| Cincinnati | 116 | 97 | 85 | 76 |
| Cleveland | 56 | 57 | 55 | 42 |
| Columbus | 113 | 110 | 102 | 81 |
| Dayton | 57 | 59 | 63 | 47 |
| Detroit | 60 | 50 | 49 | 46 |
| Gary | 96 | 100 | 103 | 91 |
| Indianapolis | 83 | 80 | 78 | 62 |
| Milwaukee | 52 | 57 | 52 | 41 |
| Toledo | 85 | 87 | 85 | 70 |
| **West North Central** | 88 | 85 | 85 | 67 |
| Kansas City | 132 | 117 | 146 | 102 |
| Minneapolis | 82 | 80 | 66 | 57 |
| Omaha | 116 | 122 | 131 | 99 |
| St. Louis | 59 | 60 | 56 | 47 |
| **South Atlantic** | 162 | 147 | 148 | 125 |
| Atlanta | 312 | 275 | 254 | 224 |
| Baltimore | 96 | 88 | 111 | 71 |

| | 1984 | | | 1983 |
|---|---|---|---|---|
| | Oct. | Sept. | Aug. | Oct. |
| Charlotte | 148 | 137 | 134 | 108 |
| Jacksonville | 189 | 176 | 192 | 148 |
| Miami | 81 | 82 | 78 | 85 |
| Richmond | 92 | 93 | 92 | 67 |
| Washington, D.C. | 166 | 147 | 146 | 131 |
| **East South Central** | 133 | 118 | 118 | 103 |
| Birmingham | 131 | 121 | 129 | 102 |
| Knoxville | 193 | 174 | 191 | 158 |
| Louisville | 75 | 70 | 72 | 57 |
| Memphis | 104 | 104 | 86 | 84 |
| Nashville | 203 | 154 | 155 | 146 |
| **West South Central** | 272 | 265 | 266 | 264 |
| Dallas | 387 | 370 | 362 | 378 |
| Houston | 338 | 332 | 333 | 344 |
| New Orleans | 125 | 119 | 125 | 120 |
| Oklahoma City | 144 | 144 | 160 | 129 |
| San Antonio | 204 | 196 | 195 | 173 |
| Tulsa | 145 | 159 | 156 | 118 |
| **Mountain** | 317 | 303 | 292 | 244 |
| Denver | NA | 205 | 205 | 175 |
| Phoenix | 472 | 419 | 377 | 343 |
| Salt Lake City | 336 | 330 | 340 | 240 |
| **Pacific** | 202 | 194 | 187 | 164 |
| Los Angeles | 153 | 148 | 145 | 128 |
| Sacramento | 320 | 309 | 304 | 261 |
| San Bernardino | 221 | 157 | 151 | 136 |
| San Diego | 421 | 431 | 380 | 323 |
| San Francisco | 215 | 202 | 200 | 176 |
| Seattle | 185 | 191 | 190 | 170 |
| Percentage of papers with rising volume | 65% | 57% | 16% | 92% |
| Unemployment rate | 7.4% | 7.4% | 7.5% | 8.8% |

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

### Help-wanted Advertising and Unemployment




* Source: Center for International Business Cycle Research, Columbia University

## CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

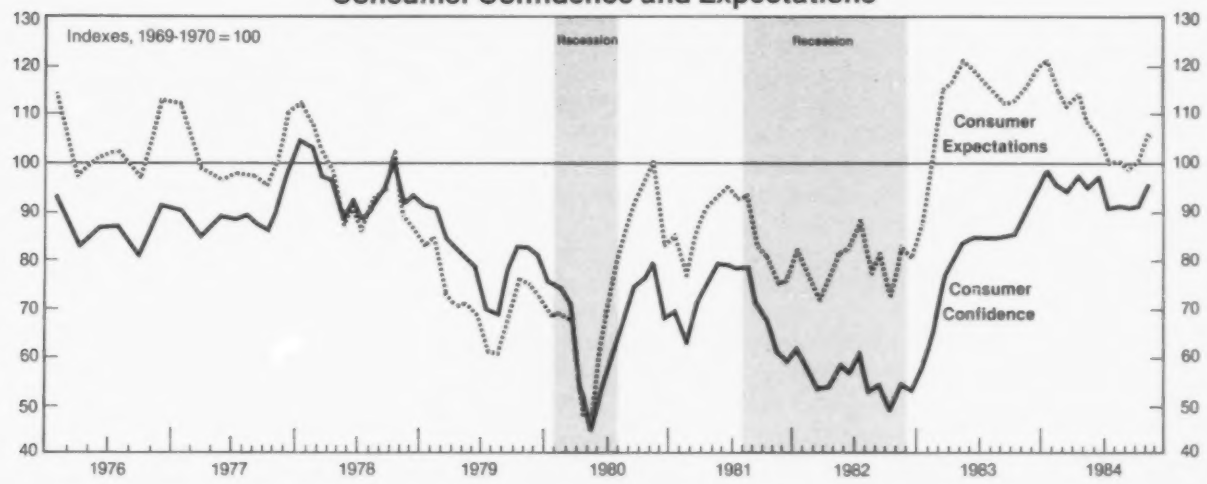
| | Jan. | Feb. | Mar. | Apr. | May | June | July | Aug. | Sept. | Oct. | Nov. | Dec. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Consumer Confidence Index** | | | | | | | | | | | | |
| 1982 | 62.1 | 58.1 | 53.3 | 54.0 | 58.3 | 57.1 | 61.6 | 53.7 | 54.4 | 49.7 | 54.8 | 53.5 |
| 1983 | 58.0 | 65.8 | 77.1 | 80.3 | 84.0 | 84.9 | 84.7 | 84.6 | 84.8 | 85.7 | 90.2 | 95.1 |
| 1984 | 98.4 | 95.7 | 94.5 | 97.9 | 95.2 | 97.1 | 91.0 | 91.9 | 91.0 | 91.5r | 96.1p | |
| **Buying Plans Index** | | | | | | | | | | | | |
| 1982 | 81.3 | 100.9 | 94.8 | 70.3 | 74.9 | 73.9 | 92.0 | 69.0 | 75.3 | 66.7 | 80.5 | 75.2 |
| 1983 | 71.9 | 75.8 | 87.9 | 86.0 | 85.2 | 103.6 | 100.5 | 89.9 | 113.5 | 109.9 | 108.9 | 108.5 |
| 1984 | 101.4 | 108.0 | 103.9 | 99.4 | 105.1 | 121.6r | 94.5 | 100.6 | 93.3 | 98.5r | 97.7p | |

Confidence index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r—revised

### Consumer Confidence and Expectations




## CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

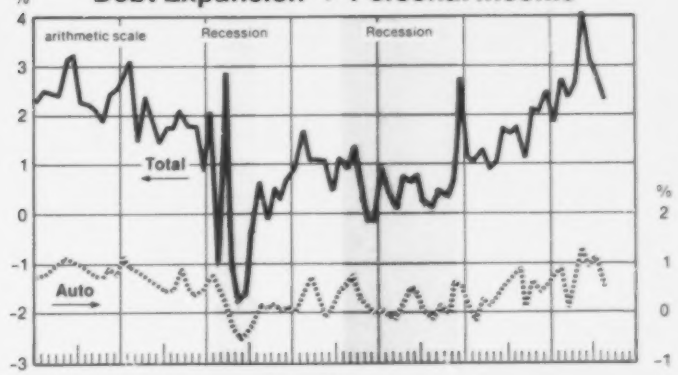
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

| | | Aggregate Purchasing Power (APP) | Discretionary | | | Ratios | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Purchasing Power (DPP) | Spending (DSP) | Saving (DSA) | (DSP)/(DPP) | (DSP)/(APP) | Total Saving/ (APP) | Net Saving/ Income After Taxes |
| 1978 | IV | $1714.9 | $604.0 | $437.0 | $167.0 | 72.3% | 25.5% | 14.0% | 8.5% |
| 1979 | I | 1758.5 | 621.0 | 435.3 | 185.8 | 70.1 | 24.8 | 14.0 | 7.5 |
| | II | 1846.3 | 660.4 | 433.4 | 226.9 | 65.6 | 23.5 | 16.3 | 10.5 |
| | III | 1865.0 | 651.0 | 451.8 | 199.2 | 69.4 | 24.2 | 14.2 | 8.8 |
| | IV | 1903.1 | 642.3 | 466.9 | 175.3 | 72.7 | 24.5 | 13.1 | 9.0 |
| 1980 | I | 1999.7 | 702.4 | 479.4 | 223.0 | 68.3 | 24.0 | 15.2 | 10.4 |
| | II | 1942.3 | 600.7 | 454.5 | 146.3 | 75.7 | 23.4 | 12.5 | 11.4 |
| | III | 2085.1 | 698.2 | 474.4 | 223.8 | 67.9 | 22.8 | 15.5 | 11.8 |
| | IV | 2147.6 | 735.9 | 497.5 | 238.3 | 67.6 | 23.2 | 14.9 | 10.8 |
| 1981 | I | 2180.1 | 732.3 | 520.4 | 211.9 | 71.1 | 23.9 | 13.6 | 10.0 |
| | II | 2235.7 | 740.6 | 514.5 | 226.0 | 69.5 | 23.0 | 14.7 | 10.4 |
| | III | 2317.8 | 771.2 | 525.3 | 246.0 | 68.1 | 22.7 | 15.5 | 12.4 |
| | IV | 2289.4 | 739.2 | 520.2 | 219.0 | 70.4 | 22.7 | 13.7 | 12.0 |
| 1982 | Ir | 2293.4 | 719.1 | 530.1 | 189.0 | 73.7 | 23.1 | 12.2 | 10.7 |
| | IIr | 2344.3 | 731.9 | 542.9 | 189.0 | 74.2 | 23.2 | 12.8 | 10.5 |
| | IIIr | 2424.8 | 782.9 | 549.5 | 233.4 | 70.2 | 22.7 | 14.1 | 12.3 |
| | IVp | 2458.0 | 799.0 | 577.0 | 222.0 | 72.2 | 23.5 | 13.3 | 10.3 |

Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin*.

P—Preliminary R—Revised

## Consumer Installment Debt Expansion ÷ Personal Income




## Retail Sales

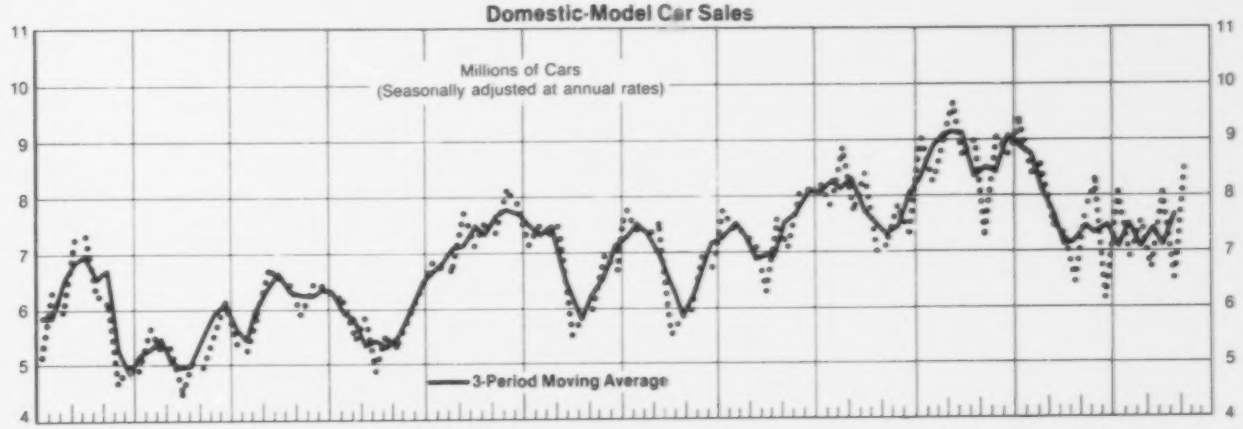
## CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

| Periods | | 1981 | 1982 | 1983 | 1984 |
|---|---|---|---|---|---|
| January: | 1-10 | 6.15 | 5.57 | 6.21 | 8.21 |
| | 11-20 | 6.60 | 5.56 | 6.17 | 7.80 |
| | 21-31 | 6.51 | 5.00 | 5.44 | 8.89 |
| February: | 1-10 | 6.49 | 6.06 | 5.81 | 7.74 |
| | 11-20 | 5.56 | 5.51 | 4.85 | 8.40 |
| | 21-28(29) | 7.76 | 5.58 | 5.59 | 7.00 |
| March: | 1-10 | 7.66 | 5.25 | 5.39 | 7.08 |
| | 11-20 | 9.66 | 5.45 | 5.65 | 7.80 |
| | 21-31 | 5.05 | 6.19 | 6.21 | 7.37 |
| April: | 1-10 | 6.24 | 5.16 | 6.82 | 9.05 |
| | 11-20 | 6.00 | 6.36 | 6.76 | 8.26 |
| | 21-30 | 6.40 | 5.94 | 6.71 | 9.09 |
| May: | 1-10 | 6.13 | 7.30 | 7.72 | 9.68 |
| | 11-20 | 6.52 | 7.34 | 7.07 | 8.70 |
| | 21-31 | 5.94 | 6.25 | 7.55 | 8.99 |
| June: | 1-10 | 6.09 | 6.10 | 7.34 | 7.37 |
| | 11-20 | 5.99 | 4.68 | 8.12 | 9.12 |
| | 21-30 | 6.06 | 4.94 | 7.88 | 8.74 |
| July: | 1-10 | 6.09 | 4.92 | 7.16 | 9.39 |
| | 11-20 | 6.47 | 5.61 | 7.42 | 8.39 |
| | 21-31 | 5.89 | 5.30 | 7.37 | 8.53 |
| August: | 1-10 | 7.31 | 5.35 | 7.51 | 7.45 |
| | 11-20 | 6.98 | 4.52 | 5.53 | 7.30 |
| | 21-31 | 7.49 | 5.05 | 5.88 | 6.47 |
| September: | 1-10 | 6.88 | 4.93 | 5.98 | 7.76 |
| | 11-20 | 5.73 | 6.54 | 6.99 | 8.25 |
| | 21-30 | 6.36 | 6.19 | 6.64 | 6.12 |
| October: | 1-10 | 5.29 | 5.40 | 7.78 | 8.10 |
| | 11-20 | 5.27 | 5.25 | 7.40 | 6.92 |
| | 21-31 | 5.43 | 5.80 | 7.31 | 7.55 |
| November: | 1-10 | 5.71 | 6.71 | 7.13 | 6.75 |
| | 11-20 | 4.72 | 6.64 | 6.23 | 8.03 |
| | 21-30 | 5.64 | 6.45 | 7.59 | 6.54 |
| December: | 1-10 | 5.14 | 5.83 | 7.06 | 8.46 |
| | 11-20 | 4.74 | 6.43 | 8.06 | |
| | 21-31 | 5.00 | 6.41 | 8.18 | |

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

## Domestic-Model Car Sales




## Imports as Percent of Total New Car Sales